

NOTICE OF COAL LEASE OFFERING BY SIMULTANEOUS FILING

MUDDY COAL TRACT SEVIER COUNTY, UTAH

PLEASE TAKE NOTICE that the State of Utah, School and Institutional Trust Lands Administration, 675 East 500 South, Suite 500, Salt Lake City, Utah 84102 (the "Trust Lands Administration"), will offer the Muddy Coal Tract, as more specifically described below, for coal lease by simultaneous filing of sealed bids pursuant to Utah Code Ann. § 53C-2-407(1)-(3). The filing period for sealed bids ends at 5:00p.m. MST on September 10, 2004, with bids to be opened at the offices of the Trust Lands Administration at 10:00 a.m. MST on September 13, 2004.

Introduction

In January, 1999, the Trust Lands Administration acquired six coal tracts, including the Muddy Coal Tract that is the subject of this notice, pursuant to the Utah Schools and Land Exchange Act of 1998, Pub. L. No. 105-335, 112 Stat. 3139 (the "Act"). The Act ratified the May 8, 1998 Agreement to Exchange Utah School Trust lands Between the State of Utah and the United States of America signed by Governor Michael O. Leavitt and U.S. Secretary of the Interior Bruce Babbitt (the "May 8 Agreement"). Pursuant to the May 8 Agreement, the Trust Lands Administration is obligated to lease those coal tracts that it acquired under the Act in a competitive or substantially equivalent non-competitive manner.

The Trust Lands Administration has determined to offer a portion of the Muddy Coal Tract for competitive leasing by simultaneous filing pursuant to existing statutory authority set forth at Utah Code Ann. § 53C-2-407(1)-(3). The leasing process will also be governed by agency regulations set forth in Utah Administrative Code R850-20. The regulations include Utah Administrative Code R850-20-175, which was enacted by the Trust Lands Administration effective March 3, 1999, and which specifically governs coal leasing of lands acquired under the Act.

Description of Muddy Coal Tract Portion Offered for Lease

The Muddy Coal Tract portion offered for lease consists of the Upper Hiawatha coal zone within the Blackhawk Formation in the following described lands located on the Wasatch Plateau in Sevier County, Utah.

<u>Township 21 South, Range 5 East, SLB&M</u>	<u>Sevier County</u>
Section 4: Lots 1 thru 4, S2S2	278.20 ac.
Section 5: Lots 1 thru 4, S2S2	278.08 ac.
Section 7: Lots 2 thru 4, S2NE4, SE4	297.91 ac.
Section 8: All	640.00 ac.
Section 9: All	640.00 ac.
Total Acres:	2,134.19

The Upper Hiawatha coal zone within the tract offered for lease contains an estimated 13.5 to 22.4 million tons of recoverable coal.

The Hiawatha (or Lower Hiawatha as it is often referred to) coal zone, located within the Blackhawk Formation, is also present within the tract boundary but is not offered for lease at this time and shall be excluded from the coal lease issued pursuant to the present offering.

Mineral Interest Being Leased and Use of the Surface Estate

The present coal tract offered for lease includes only the coal estate in the Upper Hiawatha coal zone of the Blackhawk Formation. It does not include any other coal zone or geologic formation and does not include the surface estate. However, to the extent that Lessor owns other geologic formations or the surface estate the lease shall include the right to make use of such formations and estate as reasonably necessary and expedient for the operation of the leasehold.

The surface estate is owned by the United States and is administered by the U.S. Forest Service as part of the Manti-La Sal National Forest. The coal lessee must obtain from the Manti-La Sal National Forest such permits as may be necessary for access and use of the surface estate in conjunction with the operation of the coal leasehold. The U.S. Forest Service is committed to timely process any surface use permits necessary to support the development of the coal interest. The coal lessee must also obtain a pertinent coal-mining permit from the Utah Division of Oil, Gas & Mining before any mining or development of the tract may occur.

The Trust Lands Administration expressly disclaims all warranties or representations with respect to the Muddy Coal Tract, including without limitation warranties or representations concerning title to the Muddy Coal Tract, the quantity or quality of coal therein, the mineability or merchantability of such coal, surface or subsurface conditions, availability and conditions of mine permitting, and environmental conditions.

Reversion

Pursuant to the May 8 Agreement, The Muddy Coal Tract will revert as leased to federal ownership and administration at such time as 34 million tons of coal have been produced from either the Muddy Coal Tract, the Dugout Canyon Coal Tract, or both tracts. The Dugout Canyon Coal Tract containing an estimated 12.2 million tons of recoverable coal was competitively leased (ML 48435) by the Trust Lands Administration to Canyon Fuel Company, LLC on September 1, 2000. The Dugout Canyon Coal Tract is Permitted for coal mining by the Division of Oil, Gas & Mining as a part of the Dugout Canyon Coal Mine in Carbon County, Utah, but the tract has not yet produced any coal tonnage.

Prospective lessees of the Muddy Coal Tract are advised to review provisions concerning reversion in the May 8 Agreement, and that certain Memorandum of Understanding Between the Utah School and Institutional Trust Lands Administration, the United States Department of Agriculture, and the United States Department of the Interior, dated as of January 5, 1999, as amended, copies of which are available upon request from the Trust Lands Administration.

Last Date for Receipt of Bids/ Bid Opening

All sealed bids for the Muddy Coal Tract must be received and time-stamped in the Salt Lake City office of the School and Institutional Trust Lands Administration, 675 East 500 South, Salt Lake City, Utah 84102, no later than 5:00 p.m. on Friday, September 10, 2004. Bids will be opened at 10:00 a.m. MST on Monday, September 13, 2004 at the offices of the Trust Lands Administration.

Bidding Procedures

Sealed Bids Required

All bids for the Muddy Coal Tract must be submitted in a sealed envelope, marked "Simultaneous Filing – Muddy Coal Tract" by the September 10th, 2004 bid deadline set forth above.

Bidder Qualifications

All bidders must be qualified to do business in the State of Utah , and not in default under the laws of the State of Utah relative to qualification to do business within the state, and further not in default on any previous obligation with the Trust Lands Administration. Only one bid may be submitted by each qualified bidder.

Minimum Acceptable Bid to Be Determined By Trust Lands Administration

The Trust Lands Administration will determine the minimum acceptable bonus bid for the Muddy Coal Tract, expressed in Dollars, in advance of bid opening. The minimum acceptable bonus bid will not be disclosed. **No bid will be accepted that does not meet the minimum acceptable bonus bid.** In the event that bids are below the minimum acceptable bonus bid, the Trust Lands Administration will proceed as set forth in paragraph 7 below.

Bid Contents

Each bid must be signed by the bidder or a person authorized to act for the bidder. Each bid must contain the contents set forth below. Incomplete bids will be rejected by the Trust Lands Administration. Funds submitted by unsuccessful bidders, except for the \$30.00 application fee, will be promptly returned by the Trust Lands Administration.

Each bid envelope must include the following:

- a. A Statement of the total bonus bid, **expressed in Dollars**, that the bidder is willing to pay as consideration for lease of the Muddy Coal Tract portion being offered for lease. Bonus bids should **not** be expressed in dollars per acre or cents per ton.
- b. A certified check, cashier's check, money order or bank draft in the amount of one-fifth of the bonus bid amount, made payable to the Trust Lands Administration.

- c. The first year's lease rental, in the amount of \$6,405.00, or \$3.00 per acre and fraction of acre thereof.
- d. A U.S. Bureau of Land Management form 1140-6 (available on request from the Trust Lands Administration), signed by the bidder, certifying that the bid was arrived at by the bidder independently and was rendered without collusion with any other person.
- e. A \$30.00 lease application fee.

Deferred Bonus

Payment of the bonus bid may be made on a deferred basis. One fifth of the bonus is payable on the day of sale, and must be submitted in the bidder's bid envelope. The balance should be paid in equal installments on the first four anniversary dates of the lease. At the time of lease issuance, the lessees will be required to provide a bid bond, meeting the requirements of 43 Code of Federal Regulations §3474, for the balance of the bonus bid amount, payable upon default to the State of Utah and the Secretary of the Interior. If the Lease is relinquished or otherwise terminated, the unpaid remainder shall be immediately payable to the Lessor; and the bid bond will be subject to forfeiture.

Bid Opening

Immediately upon bid opening, the Trust Lands Administration shall determine and announce the apparent high bidder. In the event that the high bid meets the minimum acceptable bid, as determined by the Trust Lands Administration, the lease shall be awarded to the high bidder. In the event that two or more parties submit an identical bid, the successful bidder shall be determined by a public drawing to be held at the offices of the Trust Lands Administration on the date of bid opening.

Failure to Meet Minimum Bid

In the event that the high bid does not match or exceed the minimum acceptable bid as determined by the Trust Lands Administration, the Trust Lands Administration may, but is not obligated to, negotiate with the high bidder to obtain a negotiated bid that, in the discretion of the Trust Lands Administration, represents fair market value. Alternatively, the Trust Lands Administration may in its discretion re-offer the Muddy Coal Tract for simultaneous filing, hold an oral auction of the tract pursuant to Utah Code Ann. §53C-2-407(4), or withdraw the tract from leasing. In the event that two or more parties submit an identical high bid that does not meet or exceed the minimum acceptable bid determined by the Trust Lands Administration, and if the Trust Lands Administration elects to negotiate with the high bidder, such bidder shall be determined by a public drawing to be held at the offices of the Trust Lands Administration on the date of bid opening.

Lease Form and Stipulations

The Trust Lands Administration intends to lease the Muddy Coal Tract on the basis of a specific lease form from available upon request from the Trust Lands Administration. The lease shall include certain special stipulations as required by the 1999 MOU with respect to coal properties that are subject to reversion to the United States. The successful bidder will be expected to execute the lease form and provide the required bid and lease bonds within fifteen days of written notification from the Trust Lands Administration that its bid was successful. Failure to execute the lease form upon notification of a successful bid will subject the successful bidder to forfeiture of the bid deposit. In the event of such failure, the Trust Lands Administration may in its discretion issue a lease to the next highest bidder, or re-offer the tract as set forth above. The Trust Lands Administration reserves the right to modify the lease form and stipulations prior to leasing.

Further Information

Further information concerning the Muddy Coal Tract, including the lease form, is available from the Trust Lands Administration's minerals group at (801) 538-5152.

DATED this 13th day of August, 2004

School and Institutional Trust Lands Administration

Thomas B. Faddies, Assistant Director